Chapter 1: Introduction to FDIC Deposit Insurance Coverage

Only Bank Deposits Are Covered by FDIC Insurance

The information contained in this Guide applies only to deposits held at FDIC-insured banks and savings associations. Examples of bank deposit products include certificates of deposit (CDs), checking, savings, money market deposits and NOW accounts. While the FDIC only insures bank deposits, the type of deposit product (for example, checking account, savings account, and certificate of deposit) is not relevant in calculating the amount of FDIC deposit insurance coverage.

Non-deposit investment products purchased through an FDIC-insured institution, such as mutual funds, stocks, bonds and annuities, are not insured by the FDIC.

Coverage is Based on Ownership Capacities

The single most important concept in understanding FDIC deposit insurance coverage is that funds held in the same right and capacity (which means legal ownership) are added together in calculating deposit insurance coverage. FDIC also refers to account ownership rights and capacities as "ownership categories." All deposits – whether in one account or multiple deposit accounts – held in an FDIC-insured institution in the same right and capacity (that is, same ownership category) are added together and insured up to the maximum FDIC insurance amount, including principal and any earned interest.

The only exception is the ownership category known as Certain Retirement Accounts (12 C.F.R. § 330.14(b)(2)). As of April 1, 2006, an individual's deposit accounts in the Certain Retirements Accounts category are insured up to $250,000, including principal and any earned interest. (See next page for listing of ownership categories recognized under the FDIC's deposit insurance regulations.)

All Deposits in the Same Ownership Category Are Combined

All deposits owned by the same depositor (or depositors) in the same ownership category are added together for the purpose of calculating FDIC deposit insurance coverage, irrespective of whether the deposits are opened under the same product type (for example, all certificates of deposit) or a combination of different product types (for example, a certificate of deposit and a checking account). In addition, the number of accounts a depositor establishes within an ownership category has no impact on the maximum amount of deposit insurance coverage provided. *It is the total dollar amount of all deposit accounts within a specific ownership category that is considered when determining insurance coverage.* A depositor cannot increase coverage by opening additional deposit accounts in the same ownership category.

Deposits Held at Different FDIC-Insured Institutions

FDIC deposit insurance coverage is calculated separately for deposits held at different FDIC-insured institutions (that is, separately for each depository institution with a unique charter). There is no aggregation of deposit insurance coverage when the same depositor has deposits at separately chartered FDIC-insured institutions. As an example, if it is determined that the maximum amount of deposit insurance coverage available under the terms and conditions of a specific trust agreement is $300,000, then this same amount of deposit insurance coverage is available at each and every separately chartered FDIC-insured institution for deposits made using the trust agreement.

Six-Month Grace Period When a Deposit Account Owner Dies

FDIC regulations found at 12 C.F.R. § 330.3(j) allow for a six-month grace period after an owner dies. The FDIC rule is intended to allow time for the owner's executor, representative or trustee to review the deceased owner's accounts and restructure the accounts if the death of the owner were to decrease FDIC coverage in effect before the owner died. The rule provides that the FDIC will insure a deceased owner's deposit accounts as if the owner were still living for six months after his or her death. During this grace period, the insurance coverage of the deposit owner's accounts will not change unless the accounts are restructured by those authorized to do so. The FDIC will not apply the grace period if the result will be a reduction in deposit insurance coverage.

The six-month grace period does not apply to the death of a beneficiary. Deposit insurance coverage is immediately reduced upon the death of a beneficiary.

Minimum Information Required to Calculate FDIC Coverage for Deposit Accounts

To determine the amount of insurance coverage available for bank deposits belonging to a person or entity, the following questions – at a minimum – must be asked:

- *Who owns the deposits?*
- *What FDIC ownership category is the depositor attempting to qualify under or use?*
- *Does the depositor meet all the requirements for coverage under that ownership category?*

Who owns the deposits? Determining whether the deposits are owned by an individual, business or government entity is an essential first step in analyzing the amount of deposit insurance coverage that may be available.

What FDIC ownership category is the depositor attempting to qualify under or use? Deposits made under any of the ownership categories listed below are insured separately from another ownership category so long as the depositor meets the specific requirements for each of the ownership categories the depositor is attempting to use. The most common FDIC deposit insurance ownership categories are:

- Single accounts
- Certain retirement accounts
- Joint accounts
- Revocable trust accounts
- Irrevocable trust accounts
- Employee benefit plan accounts
- Business/organization accounts
- Government accounts (also known as public unit accounts)

Does the depositor meet all the requirements for coverage under the applicable ownership category? It is possible under some ownership categories (for example, revocable trust) for a depositor to qualify for more than $100,000 in insurance coverage at an FDIC-insured financial institution so long as the depositor meets specific regulatory requirements for the ownership category.

The categories listed above cover ownership of deposits by different legal entities including individuals, business entities and government entities. In situations where a depositor would like to deposit more than $100,000 in a single FDIC-insured institution, it is imperative to understand and comply with the requirements for each of the ownership categories that the depositor intends to use. Some categories are exclusive to specific depositors based on the type of ownership (for example, individual, business or government entity) for deposit insurance eligibility. As an example, funds owned by a corporation can only qualify for deposit insurance coverage under the business/organization accounts category. In contrast, an individual's deposits may qualify for deposit insurance coverage under any of the above categories, except the business/organization and government categories.

Failure to comply with the requirements of an ownership category often will result in a default to another ownership category. For individual depositors, failure to meet the requirements of an ownership category generally will result in the deposits being insured under the single accounts category (which includes all deposits held in the depositor's name alone).

For more information about FDIC ownership categories other than revocable trusts or irrevocable trusts, please refer to the FDIC Web site www.fdic.gov/deposit/deposits.